

CORRECTED FISCAL NOTE

SB 3139 - HB 3451

March 24, 2008

SUMMARY OF BILL: Creates an additional class of licenses allowing the sale of wine at certain retail food stores.

ESTIMATED FISCAL IMPACT:

On February 20, 2008 we issued a fiscal note on this bill which indicated a *recurring increase in state expenditures to the ABC Fund of \$980,000, a one-time increase in state expenditures to the ABC Fund of \$500,000, a recurring increase in state revenue to the ABC Fund of \$5,100,000, a one-time increase in state revenue to the ABC Fund of \$1,800,000, a recurring increase in General Fund revenue to the state of \$5,404,000 and a recurring increase in local revenues of \$113,600.* Based upon additional information obtained by committee staff concerning the number of qualifying retail food stores and potential excise tax collections, the corrected fiscal impact of this bill is:

(CORRECTED)

**Increase State Expenditures - \$980,000 Recurring/
Alcoholic Beverage Commission
\$500,000 One-Time/
Alcoholic Beverage Commission**

**Increase State Revenue - \$2,320,500 Recurring/
Alcoholic Beverage Commission
\$819,000 One-Time/
Alcoholic Beverage Commission
\$17,845,000 Recurring/General Fund**

Increase Local Revenue - \$4,063,500

Assumptions:

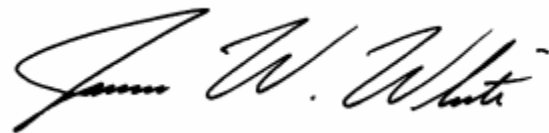
- The licenses shall be issued by the Alcoholic Beverage Commission and only to qualified food stores in jurisdictions which have approved the sale of alcoholic beverages.
- There are approximately 7,000 qualifying food stores in the state of Tennessee. It is estimated that approximately 52 percent of these are in localities that have authorized the sale of alcoholic beverages and that 75 percent of stores in these localities will apply for the license (7,000 x

52% x 75% = 2,730) resulting in 2,730 stores statewide authorized to sell wine according to the provisions of the bill.

- Each license cost \$850 with a \$300 one-time fee. This will result in a recurring increase in state revenue to the ABC Fund of \$2,320,500 (2,730 x \$850) and a one-time increase in state revenue to the ABC Fund of \$819,000 (2,730 x \$300).
- The Alcoholic Beverage Commission will need twenty additional agents to assist in regulating and investigating the new licensees.
- Each agent would receive a salary of \$44,000 including benefits; a \$25,000 one-time fee for car, camera, rifle, vest, etc.; \$5,000 for maintenance, travel, hotels, etc. \$880,000 (20 x \$44,000); 500,000 (20 x \$25,000); and \$100,000 (\$5,000 x 20).
- The excise tax rate for wine is \$1.21 per gallon.
- An average price of \$42 per gallon for wine.
- Under current law, it is estimated that 8.6 million gallons of wine will be sold in FY 2009 resulting in a total of \$361,200,000 (8.6 million gallons x \$42) in taxable sales.
- Wine sale/consumption would increase excise tax revenue 50 percent under the provisions of this bill resulting in an increase in the taxable sales base of \$180,600,000 (\$361,200,000 x 50 %).
- The increase in the number of gallons of wine sold is estimated to be 4.3 million gallons (8.6 million x 50%).
- The increase in state revenue from additional excise tax collections is estimated to be \$5,203,000 (4,300,000 gallons x \$1.21)
- The state sales tax on wine is seven percent and the local sales tax is two and one quarter percent. The increase in state revenue attributable to increased sales tax collections is estimated to be approximately \$12,642,000 (\$180,600,000 x 7%) and the increase local revenue is estimated to be approximately \$4,063,500 (\$180,600,000 x 2.25%).
- The total increase in state revenue to the general fund is estimated to be approximately \$17,845,000 (\$5,203,000 + \$12,642,000).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/cce